



NEWS RELEASE

CALIFORNIA STATE TREASURER PHIL ANGELIDES

DATE: January 7, 2004

TO: Member of the News Media

FROM: State Treasurer Phil Angelides

RE: **MATERIALS FOR BRIEFING WITH TOP ECONOMISTS ON ECONOMIC INDICATORS AND REVENUE FORECASTS**

As background for this morning's briefing with economists, I have attached a list of key economic indicators from the most recent forecasts of the U.S. and California economies prepared by the Legislative Analyst's Office, the UCLA Anderson Forecast, and the Western Blue Chip Economic Forecast panel members. As you know, such economic forecasts are critical to the State's budget process because they form the basis for revenue projections upon which the budget is based. The attachment reflects the anticipated growth or decline for key indicators used in the economic forecasts. I hope that this comparison will provide a useful context for your review of the Administration's economic forecast and revenue estimates contained in the 2004-05 Governor's Budget.

In addition, the following information is provided for background purposes. In its November 2003 Fiscal Outlook, the Legislative Analyst's Office estimated 2003-04 General Fund revenues and transfers of \$74.2 billion and 2004-05 General Fund revenues and transfers of \$75.0 billion, for an increase of about \$800 million, or about 1.1 percent. Of these amounts, the Analyst estimates that revenues from capital gains and stock option income will total \$6.1 billion for 2003-04 and \$6.7 billion for 2004-05, for an increase of \$600 million or about 9.8 percent.

Following are the details for this morning's teleconference:

Participants:

- **Phil Angelides**, California State Treasurer
- **Dr. James K. Galbraith**, Lloyd M. Bentsen, Jr. Chair in Government/Business Relations, Lyndon B. Johnson School of Public Affairs, and Professor of Government, University of Texas
- **Dr. Edward Leamer**, Chauncey J. Medberry Professor of Management, UCLA, and Director, UCLA Anderson Forecast
- **Stephen Levy**, Director, Center for Continuing Study of the California Economy
- **Dr. Ken Rosen**, Professor, Haas School of Business, and Chairman, Fisher Center for Real Estate and Urban Economics, UC-Berkeley

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TELECONFERENCE INFORMATION

- DATE: Wednesday, January 7, 2004
- TIME: 11:00 a.m. - 11:45 a.m. PST
- CALL-IN NUMBER: 888-813-9023
- PASS CODE: Economy
- CONFERENCE LEADER: Phil Angelides

(The call will be recorded and made available for replay beginning approximately 1 hour after the call and ending @ 11:59 p.m., Friday, January 9. Replay phone #: 1-800-551-8145)

For additional questions, please contact my Communications Director, Mitchel Benson, at (916) 653-4052.

Forecasts of Key Economic Indicators¹

	2003	2004	2005 ³
U.S. Real Gross Domestic Product			
Legislative Analyst, Nov. 2003	3.0%	4.2%	3.7%
UCLA, Dec. 2003	2.9	3.6	3.5
Western Blue Chip Economic Forecast, Dec. '03 ²	3.1	4.4	--
U.S. Unemployment Rate (%)			
Legislative Analyst, Nov. 2003	6.1	6.1	5.9
UCLA, Dec. 2003	6.1	6.4	6.4
Western Blue Chip Economic Forecast, Dec. '03	6.0	5.8	--
U.S. Consumer Price Index			
Legislative Analyst, Nov. 2003	2.4	2.0	2.4
UCLA, Dec. 2003	2.3	2.2	2.1
Western Blue Chip Economic Forecast, Dec. '03	2.3	1.9	--
California Wage & Salary Jobs			
Legislative Analyst, Nov. 2003	-0.4	1.3	2.6
UCLA, Dec. 2003	-0.1	0.9	2.1
Western Blue Chip Economic Forecast, Dec. '03	0.6	1.8	--
California Personal Income			
Legislative Analyst, Nov. 2003	4.2	5.9	6.3
UCLA, Dec. 2003	3.6	4.9	5.4
Western Blue Chip Economic Forecast, Dec. '03	3.4	4.5	--
California Taxable Sales			
Legislative Analyst, Nov. 2003	2.4	5.9	6.3
UCLA, Dec. 2003	2.6	5.0	4.9
Western Blue Chip Economic Forecast, Dec. '03	3.4	5.3	--
California New Housing Permits (000)⁴			
Legislative Analyst, Nov. 2003	188	179	180
UCLA, Dec. 2003	196	192	189
Western Blue Chip Economic Forecast, Dec. '03	a	a	--

¹ Except as otherwise noted, figures indicate the percent change from the prior year.

² Western Blue Chip Economic Forecast is published 10 times a year by the Bank One Economic Outlook Center, an affiliate of the L. William Seidman Research Institute at Arizona State University's W.P. Carey School of Business. The Forecast publishes consensus forecasts of panels of economists in 10 Western states. The California panel includes the UCLA Anderson Forecast, the Legislative Analyst, Wells Fargo Bank, Los Angeles County Economic Development Corporation, and California State University - Long Beach, among others.

³ Western Blue Chip Forecast does not include estimates for 2005. This data will not be available until late January.

⁴ Comparable Western Blue Chip data is not available.

James K. Galbraith

James K. Galbraith holds the Lloyd M. Bentsen, jr. Chair of Government/Business Relations at the Lyndon B. Johnson School of Public Affairs, the University of Texas at Austin. He is also a Senior Scholar with the Levy Economics Institute, Chair of the Board of Economists Allied for Arms Reduction (ECAAR), an international association of professional economists concerned with peace and security issues.

Galbraith holds degrees from Harvard and Yale (Ph.D. in Economics, 1981). He studied economics as a Marshall Scholar at King's College, Cambridge in 1974-5, and then served on the staff of the U.S. Congress, including as Executive Director of the Joint Economic Committee in 1981-82. He was a guest scholar at the Brookings Institution in 1985. He served as a Chief Technical Adviser to the State Planning Commission of China on a United Nations Development Program project on macroeconomic reform in 1993-1997.

Galbraith's books are *Balancing Acts: Technology, Finance and the American Future* (Basic, 1989), *Created Unequal: The Crisis in American Pay* (Free Press, 1998), and *Inequality and Industrial Change: A Global View* (Cambridge, 2001), co-edited with Maureen Berner, as well as two textbooks, *The Economic Problem* coauthored with Robert L. Heilbroner and *Macroeconomics* with William A. Darity, jr. He offers regular commentary on Public Radio International's *Marketplace* and an occasional column in the *Texas Observer* as well as reviews and comment in many other publications. He held a Fulbright Distinguished Visiting Lectureship in China in the summer of 2001 and was named a Carnegie Scholar in 2003.

Visit the web-site of the University of Texas Inequality Project at <http://utip.gov.utexas.edu> for current research and a partial archive of published writings. Papers on macroeconomic topics can be found on the Levy web-site at www.levy.org. The work of ECAAR is at www.ecaar.org.

Dr. Edward Leamer

Edward Leamer is the Chauncey J. Medberry Professor of Management, Professor of Economics and Professor of Statistics at UCLA. He received a B.A. degree in mathematics from Princeton University and a Ph.D. degree in economics and an M.A. degree in mathematics from the University of Michigan. After serving as Assistant and Associate Professor at Harvard University he joined the University of California at Los Angeles in 1975 as Professor of Economics and served as Chair from 1983 to 1987. In 1990 he moved to the Anderson Graduate School of Management and was appointed to the Chauncey J. Medberry Chair. Professor Leamer is a Fellow of the American Academy of Arts and Sciences, and a Fellow of the Econometric Society. He is a Research Associate of the National Bureau of Economic Research and a visiting scholar at the International Monetary Fund and the Board of Governors of the Federal Reserve System. He is currently serving as the Director of the UCLA Anderson Forecast.

Dr. Leamer has published over 100 articles and 4 books. This research has been supported by continuous grants for over 25 years from the National Science Foundation, the Sloan Foundation and the Russell Sage Foundation. His research papers in econometrics have been collected in *Sturdy Econometrics*, published in the Edward Elgar Series of Economists of the 20th Century. His research in international economics and econometric methodology has been discussed in a chapter written by Herman Leonard and Keith Maskus in *New Horizons in Economic Thought: Appraisals of Leading Economists*.

Recent research interests of Professor Leamer include the North American Free Trade Agreement, the dismantling of the Swedish welfare state, the economic integration of Eastern Europe, Taiwan and the Mainland, and the impact of globalization on the U.S. economy.

CENTER FOR CONTINUING STUDY OF THE CALIFORNIA ECONOMY

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STEPHEN LEVY

Stephen Levy is Director and Senior Economist of the Center for Continuing Study of the California Economy (CCSCE) in Palo Alto. CCSCE is a private research organization founded in 1969 to provide an independent assessment of economic and demographic trends in California.

CCSCE works with public institutions and private companies that require an explanation and analysis of the growth process as well as detailed projections. Stephen Levy is the principal author of CCSCE's annual report series on the California economy. CCSCE's annual reports have acquired a national reputation for credible and independent analyses.

Mr. Levy is currently helping regional planning agencies in Southern California and Sacramento address the challenges of planning for future growth. CCSCE provides long-term regional projections of jobs, population, households and income. These projections provide the context for discussing policies about land use, transportation and equity related to regional growth.

For the coming year, Mr. Levy will be writing and speaking about the California budget and economy supported by a grant from The James Irvine Foundation and will be analyzing California's regional economies for the California Workforce Investment Board and California Economic Strategy Panel. He recently completed a report on workforce investment issues and challenges and has spent the past year presenting the report around the state. In 1998 he was commissioned by the Hewlett, Irvine and Packard foundations and Bank of America to prepare a report analyzing the connections between land use and the California economy and last year completed a report on planning for California's infrastructure needs.

CCSCE provides long-term economic and demographic projections on an ongoing basis to institutions such as the Southern California Association of Governments (SCAG), Metropolitan Water District of Southern California, the Sacramento Area Council of Governments (SACOG), The Irvine Company and the South Coast Air Quality Management District

Mr. Levy chairs the Council of Economic Advisors for the State Workforce Investment Board, is a member of the NOVA (Silicon Valley) Workforce Investment Board and an advisor to the California Economic Strategy Panel.

Stephen Levy has degrees in economics from MIT and Stanford University. He lives in Palo Alto with his wife, Nancy. They have two children, Becky and David.

KENNETH T. ROSEN

Dr. Kenneth T. Rosen is Professor of Business Administration and Chairman of the Fisher Center for Real Estate and Urban Economics at the University of California at Berkeley. He specializes in real estate economics and finance and has written more than 95 articles and papers, four books and dozens of consulting reports. Dr. Rosen is Chairman of Lend Lease Rosen Real Estate Securities. Lend Lease Rosen manages a portfolio of publicly traded real estate securities for institutional and individual investors.

Dr. Rosen is also Chairman of the Rosen Consulting Group, which specializes in tracking real estate markets in the top 100 markets in the country. Clients include major banks, investment banks, insurance companies and private investors and developers. He is on the boards of several private corporations that deal with real estate finance and development, and is a trustee of the Urban Land Institute. He founded the Real Estate Research Department for Salomon Brothers.

Dr. Rosen earned his Ph.D. in Economics from MIT and taught at Princeton University before coming to Berkeley.